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NEWS RELEASE

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INDICTMENTS ANNOUNCED IN MAJOR MORTGAGE FRAUD SCHEME

Federal law enforcement officials discuss ongoing efforts to combat mortgage fraud in region.

SACRAMENTO—United States Attorney McGregor W. Scott; FBI Special Agent in Charge Drew Parenti; and Internal Revenue Service Criminal Investigation Special Agent in Charge Scott O'Briant announced today the indictment of 19 individuals for mortgage fraud-related offenses under Operation Homewrecker. The leader of this nationwide scam is CHARLES HEAD, 33, of Los Angeles, California, who targeted homeowners in dire financial straits, fraudulently obtaining title to over 100 homes and stole millions of dollars through fraudulently obtained loans and mortgages.

Operation Homewrecker is the product of an extensive investigation by the FBI and IRS Criminal Investigation.

According to Assistant United States Attorneys Laura Ferris, Rob Tice-Raskin, and Ellen Endrizzi, who are prosecuting the case, the charges are broken out into two separate indictments, "Head One" and "Head Two." On February 28, 2008, a federal grand jury returned the first set of charges in a 13-count indictment against 16 defendants with violations of mail fraud, conspiracy to commit mail fraud, conspiracy to commit money laundering and other related offenses. "Head One" involved a "foreclosure rescue" scam, netting approximately \$6.7 million in fraudulently obtained funds taken from 47 homeowners, nearly all of whom were located in California.

From approximately January 1, 2004 to March 14, 2006, the defendants contacted desperate homeowners, offering two "options" allowing them to avoid foreclosure and obtain thousands of dollars up-front to help pay mounting bills. If the homeowner could not qualify for the "first option," which virtually none could, they would be offered the "second option." Under the latter option, an "investor" would be added to the title of the home, to whom the homeowner would make a "rental" payment of an amount allegedly less than their mortgage payment, thereby allowing the homeowner to repair their credit by having the mortgage payments made in a timely fashion. Unfortunately all of this was a scam. The defendants would recruit straw buyers as the "investors" and oftentimes these individuals would in fact *replace* the homeowners on the titles of the properties without the homeowners' knowledge. These straw buyers were often friends and family members of the defendants. Once the straw buyer had title to the home, the defendants immediately applied for a mortgage to extract the maximum available equity from the home. The defendants would then share the proceeds of the ill-gotten equity and "rent" being paid by the victim homeowner. When the defendants ultimately would sell the home, stop making the mortgage payment, and/or pursue an eviction proceeding, the victim homeowner was left without their home, equity, or repaired credit.

The following defendants were charged in the February 28, 2008 "Head One" indictment:

CHARLES HEAD, 33, of La Habra, California; JEREMY MICHAEL HEAD, 30, of Huntington Beach, California; ELHAM ASSADI, aka Elham Assadi Jouzani, aka Ely Assadi, 30, of Irvine, California; LEONARD BERNOT, 51, of Laguna Hills, California; AKEMI BOTTARI, 28, of Los Angeles; JOSHUA COFFMAN, 29, of North Hollywood; JOHN CORCORAN, aka Jack Corcoran, 52, of Anaheim; SARAH MATTSO, 27, of Phoenix, Arizona; DOMONIC McCARNS, 33, of Brea, California; ANH NGUYEN, 36, of Los Angeles; OMAR SANDOVAL, 32, of Rancho Cucamonga, California; XOCHITL SANDOVAL, 29, of Rancho Cucamonga; EDUARDO VANEGAS, 28, of Phoenix; ANDREW VU, 39, of Santa Ana; JUSTIN WILEY, 28, of Irvine; and KOU YANG, 32, of Corona, California.

On March 13, 2008, the federal grand jury returned a five-count indictment in “Head Two” against seven defendants, including CHARLES HEAD, JOHN CORCORAN, KOU YANG, each also charged in “Head One,” as well as KEITH BROTEMARKLE, 42, of Johnstown, Pennsylvania; BENJAMIN BUDOFF, 41, of Colorado Springs, Colorado; DOMONIC McCARNS, 33, of Brea; and LISA VANG, 24, of Westminster. “Head Two” involved an “equity stripping” scheme, netting approximately \$5.9 million in stolen equity from 68 homeowners in states across the nation. While still targeting distressed homeowners and defrauding mortgage lenders through the use of straw buyers, this time CHARLES HEAD altered the scheme so that he would receive approximately 97% of the stolen equity, while his “sales agents” and employees, and the other defendants, would receive either the remaining 3% of equity or a salary from the fraudulently-obtained funding.

Instead of recruiting friends and family members as straw buyers, as in “Head One,” in “Head Two” the defendants recruited strangers via the Internet. They also used referrals from mortgage brokers to identify and solicit new victim homeowners. Beyond advertising on the Internet, the defendants also would send “blast faxes” to mortgage brokers throughout the country and generate mass emails to potential victims. Through material misrepresentations and omissions, victim homeowners would be offered what appeared to be their last best chance to save their homes. Unfortunately, as in “Head One,” these victims also were left without their homes, equity, or repaired credit.

The maximum statutory penalty for conspiracy to commit mail fraud is five years incarceration and a fine. The maximum statutory penalty for conspiracy to commit money laundering is 10 years incarceration and a fine. The maximum statutory violation for mail fraud is 20 years incarceration and a fine. The maximum statutory penalty for bank fraud is 30 years incarceration and a fine. The maximum statutory penalty for identity theft is 15 years incarceration and a fine. The actual sentence, however, will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables and any applicable statutory sentencing factors.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

United States v. Santa et al.

Also announced today by United States Attorney Scott and IRS Criminal Investigation Special Agent in Charge O’Briant were today’s arrests of MARIA SANTA, 33; VIRGIL SANTA, 35; and CANDIT SAVA, JR., 26, all of Sacramento. A criminal complaint was filed in federal court against the three defendants on March 17, 2008. The complaint alleges that beginning in November 2006, MARIA SANTA and CANDIT SAVA prepared and submitted loan applications containing false statements as to employment and monthly income, and other false information, of a straw purchaser in order to purchase houses in the name of the straw purchaser. The complaint further alleges that MARIA SANTA and CANDIT SAVA committed identity theft by using a victim’s identity to purchase property.

The case was investigated by the Internal Revenue Service Criminal Investigation and the Calif. Department of Real Estate. It is being prosecuted by Assistant U.S. Attorney Matthew Stegman.

Mortgage Fraud Task Force

In recent months, an Eastern District of California Mortgage Fraud Task Force has been established. This action was taken as a result of the significant increase in reported mortgage fraud as economic conditions and the housing market have worsened. Members of the task force include representatives from the United States Attorney's Office, the Federal Bureau of Investigation, the Internal Revenue Service- Criminal Investigations, the Department of Housing and Urban Development, the United States Bankruptcy Trustee's Office, and the California Department of Real Estate.

"Mortgage fraud is a very real problem, both legally and economically. Federal law enforcement here in the Eastern District is fully committed to holding responsible those who in their greed have stolen from their fellow citizens. It is our duty to do all we can to restore faith and confidence in the marketplace by placing these thieves where they belong: in prison." stated United States Attorney Scott.

Drew Parenti, Special Agent in Charge of the Sacramento FBI, said, "Mortgage Fraud has recently been elevated to the FBI's highest financial crime priority, and we are attempting to address the numerous reports of fraud within the real estate industry that have occurred across the country. We are focusing on the industry professionals, the "insiders" who have manipulated the mortgage loan process for their own financial gain. These investigations are lengthy and complicated but we will work with our law enforcement partners and utilize every resource available to us to ensure these cases are investigated and prosecuted to the extent the law allows."

Scott O'Briant, Special Agent in Charge of IRS Criminal Investigation said, "Mortgage fraud adds secret dollars to the underground economy that erodes the integrity of our tax system and threatens the financial health of our communities. IRS-CI will continue to utilize its financial investigative expertise to aggressively investigate criminal activities that adversely affect our financial system."

"These types of crimes create a significant loss of tax revenue, drive buyers into foreclosure, leave lenders burdened with bad loans and neighborhoods with abandoned and deteriorating properties. IRS-CI is committed to pursuing individuals who commit these types of crimes."

The task force allows for a more targeted, coordinated approach in prioritizing the massive volume of referrals being made to federal and state agencies.

Other Eastern District of California mortgage fraud prosecutions:

1. SENNETT H. SWIFT, 25, of Sacramento, scheduled to be sentenced on March 25, 2008 on charges of bank fraud and money laundering. He pleaded guilty on January 15, 2008. SWIFT, who was not a licensed loan broker, defrauded two homeowners and the corresponding lenders by fraudulently refinancing two homes, the goal of which was to receive substantial loan broker commissions. To accomplish this fraud, the defendant solicited the two homeowners and falsely told them that they would receive loans with favorable terms, such as a low adjustable rate that would not increase above a certain rate cap. He also falsely led homeowners to believe that their prepayment penalties on their existing mortgages would be rebated by the defendant. Actually, SWIFT knew that the rate caps were much higher than promised, and never intended to rebate the prepayment penalties. Additionally, in one of the cases, SWIFT submitted a forged loan application and forged documents to the lender. In addition, the loan application contained false information such as inflated wages.

The case was investigated by the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation and is being prosecuted by Assistant United States Attorney Matthew Stegman.

2. JEAN L. GARCIA, 50, of Auburn, California, arrested on December 12, 2007 on federal felony charges of bank fraud and money laundering, based on a criminal complaint. According to the complaint, the defendant made false statements in a loan application for the purpose of obtaining a loan to refinance the house in which she and Mario Garcia lived, and then engaged in a monetary transaction with these criminally derived funds.

The case was investigated by the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation and is being prosecuted by Assistant United States Attorney Matthew Stegman.

3. IFTIKHAR AHMAD, 36; MANPREET SINGH, age 24; and JOSE SERRANO, age 44, each from Stockton, California, indicted on October 25, 2007 by a federal grand jury for mail fraud, and charging AHMAD and SERRANO with money laundering. According to the indictment, from July 2003 through October 2005, the defendants engaged in a scheme to defraud a lender in connection with residential real property purchases primarily in the Stockton area. Between July 2003 and January 2005, AHMAD, through I & R Investment Properties, LLC, fraudulently sold 10 residential real properties obtaining in excess of \$1.5 million in loan proceeds. As part of the scheme, AHMAD used straw purchasers that he, SERRANO and others brought to the transactions. In several transactions, AHMAD surreptitiously provided the purchasers' down payments, and paid SERRANO more than \$45,000 for recruiting straw purchasers. MANPREET SINGH was paid at least \$22,300 for her participation as a straw purchaser. The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

JOHN NGO, 27, of Dublin, California, pleaded guilty on December 17, 2007, to lying under oath before a federal grand jury in connection with the mortgage fraud investigation of IFTIKHAR AHMAD et al. NGO admitted that between September 2001 and May 2006, he worked as a Senior Loan Coordinator at Long Beach Mortgage, a subprime lender of residential real property that is now a subsidiary of Washington Mutual. NGO was responsible for validating and verifying loan application information, including employment information, submitted by loan applicants. In September 2007, NGO testified under oath before a federal grand jury investigating a mortgage fraud scheme in the San Joaquin County area. He was asked whether a mortgage broker had given NGO any money. NGO falsely testified that the broker had not given him any money. In fact, records later obtained from Bank of America showed that between July 2003 and March 2007, NGO received approximately \$100,000 in checks and bank transfers from the mortgage broker. NGO admitted that most of the payments were to ensure that fraudulent loan applications were processed and funded. NGO also admitted he received payments from Long Beach Mortgage sales representatives to push applications through the funding process, that he knew that many of these applications were fraudulent, and that he and others took steps to "fix" applications by creating false documents or adding false information to the applications or the loan file.

These cases were investigated by the Federal Bureau of Investigation and Internal Revenue Service Criminal Investigation and are being prosecuted by Assistant United States Attorneys Benjamin B. Wagner and Courtney J. Linn.

4. JAMES ROY MARTIN, 36; MARIO FELLINI, III, 38; GABRIEL RICHARD VIRAMONTES, 44; and JOSEPH SALVATORE GALLO, 34, all from the Sacramento area, were indicted on September 20, 2007 on charges of bank fraud, conspiracy to launder money, and other crimes, in a Sacramento area mortgage fraud scheme involving at least

19 homes obtaining loans of more than \$8 million. The indictment charges that from June through October 2006, the defendants, through VFM Investment Group, Esnian Mortgage Realty, and Freedom Capital Mortgage, engaged in a fraud scheme by soliciting people to act as straw purchasers of houses. Those solicited were told they would benefit financially from the transactions. The defendants then defrauded lenders such as Washington Mutual Bank by submitting loan applications that falsely inflated the buyers' income, falsely stated that a buyer was employed at a specific job, and falsely stated that the properties would be owner-occupied. The indictment alleges that the purpose of the scheme was to ensure that the transactions closed, so that defendants would receive substantial loan broker commissions and illegal kickbacks from real estate sales commissions.

The case was investigated by the Federal Bureau of Investigation, the Internal Revenue Service Criminal Investigation, and the California Department of Real Estate. It is being prosecuted by Assistant United States Attorney Matthew Stegman. The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

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